

OFFER FOR IOWANS

IDENTIFYING INFORMATION

Offer Identifier: H_401_33F

Offer Name: Iowa Medicaid – Maintaining Access – Medically Necessary Services

This offer is for improving an existing activity (describe the improvements in your narratives below)

Result(s) Addressed: Improve Iowan's Health, Building the New Economy

Participants in the Offer: Iowa Department of Human Services

Person Submitting Offer: Kevin Concannon

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OFFER DESCRIPTION

*This is an offer to provide all State Plan services which are not “mandatory” under Title XIX, **but which are medically necessary and currently covered by Iowa Medicaid**, to make those rate adjustments currently contemplated by Iowa statute or regulation, and to eliminate all waiting lists for home and community based care services to promote the further rebalancing for long term care, and to distribute 100% of the State’s increase in Disproportionate Share Dollar since 2004 to Iowa hospitals.*

DHS offers to provide the following **medically necessary “optional” services** to all adults eligible under Medicaid (these same services are mandatory for children and, therefore, included in DHS Offer No:H_401_07

Prescription Drugs (\$78,761,978) – This offer contemplates the shift of all dual eligibles to the Medicare Part D pharmacy benefit beginning January 1, 2006.

Note: This offer does not anticipate any savings to the State as a result of the shift of duals to Medicare Part D because of the way the “claw-back” payment is to be calculated. The claw-back payment amount will not take into account any of the pharmacy cost reduction strategies implemented by the State subsequent to 2003

Note: This offer does not include any funds for a State Pharmacy Assistance Program to “wrap around” the new Medicare Part D pharmacy benefit.

Note: In the past two years the State has taken a number of steps to control the costs of prescription drugs. These include: reducing dispensing fees paid to pharmacies, expanding the SMAC, reducing payments to pharmacies for brand name drugs, substituting generic drugs for brand drugs, except when on post rebate basis generics are less expensive, increasing co-payments, and improving pharmaceutical rebate collections. Modest steps were taken in the area of pharmaceutical case management.

Home and Community Based Services (HCBS) Waivers (\$26,940,072) – Waiver programs maintain persons in their own homes or communities who would otherwise qualify for more expensive care in a medical institution. This offer includes \$7,687,570 to eliminate waiting lists for all home and community based waiver services in SFY 2006.

Note: A significant amount of the non-State dollars for waiver services for adults is paid by counties.. Those county dollars are, therefore, not included in this Offer or anywhere else in the State’s budget. However, eliminating this “optional” service, would require eliminating the county funded and state funded service. As a practical matter this would mean a dramatic cost shift to counties.

Note: DHS, together with other partners in State government, are exploring several strategies for expanding the use of waiver services with concomitant reductions in hospital and other institutional services. These include: development of a universal assessment tool to help individuals identify alternatives to nursing home care before they leave the hospital, requesting federal authority to raise the level of care required to qualify for nursing home services without raising the level of care required for waiver services; providing all individuals who qualify for any waiver (the State has six today) access to the same waiver services; reducing the time it takes to process a waiver application where that would produce earlier access to home and community based services; the utility of a case-mix adjusted evaluation of eligibility for waiver services where waiting lists do exist. No funds have been included in this offer for implementing any of these changes.

ICF/MR State Cases (\$3,871,798) – ICFs/MR provide 24-hour care with continuous active treatment for individuals with mental retardation.

Note: counties pay Most of the non-State dollars for ICF/MR services for adults. Those county dollars are, therefore, not included in this Offer or anywhere else in the State's budget. However, eliminating this "optional" service would require eliminating the county funded and state funded service. As a practical matter this would mean a dramatic cost shift to counties.

Note: DHS believes that Iowa properly can and should reduce the State's reliance on ICF/MR services in favor of community-based care alternatives. Implementing such a change is a complex undertaking which must take into account the needs of patients and their families, required "infrastructure", including but not limited to providers and systems for tracking the implementation of care plans in non-institutional settings, the role of counties in service delivery to this population, and changes in federal Medicaid policy.

Ambulance Services (\$668,612) – This includes a very limited amount for non-emergency ambulance transportation, where appropriate alternatives are not available.

Clinic Services, primarily Kidney Dialysis (\$714,099) – Patients in need of this service are at risk for severe bodily dysfunction and death.

Hospice Services (\$4,552,231) – Hospice services, while justified solely from a care quality perspective, may also produce savings in such areas as hospital and physician services.

Dental (\$7,371,738) – Absent general and preventive care, emergency situations could develop where patients would seek care in emergency rooms where the cost of treatment would far outweigh the cost of prevention.

Medical Supplies & Durable Medical Equipment (\$9,260,050) – Basic activities of daily living are supported by this service.

Adult Rehab Option (ARO) State Cases (\$2,373,746) – Chronically mentally ill individuals are provided rehabilitative skills training and supports to promote their ability to be integrated in the community and avoid intensive and expensive levels of service such as inpatient psychiatric hospitalization.

Note: counties pay Most of the non-Federal dollars for ARO services for adults. Those county dollars are, therefore, not included in this Offer or anywhere else in the State's budget. However, eliminating this "optional" service, would require eliminating the county funded and state funded service. As a practical matter this would mean a dramatic cost shift to counties.

Targeted Case Management (\$4,279,611) – Absent coordination of services for chronically mentally ill, mentally retarded, or developmentally disabled individuals, other more costly services including hospitalization and emergency hospital visits, and increased medication usage, physician visits, and counseling services would occur.

Note: counties pay half of the non-Federal dollars for Targeted Case Management. Eliminating this "optional" service, would require eliminating the county funded and state funded service. This would mean a dramatic cost shift to counties.

Optometrist (\$1,355,496) – There are few alternative resources for eye care except for physician ophthalmologists, whose costs would be higher.

Podiatric (\$588,438) – Alternative interventions would likely fall to orthopedic surgeons, which would be more costly.

Other Practitioners (\$1,203,094) – Advanced Registered Nurse Practitioners, Certified Nurse Midwives, Physical Therapists, Audiologists, Rehab Agencies, Area Education Agencies, Local Education Agencies, CRNA's, clinical Social Workers, and Early Access Service Coordinators all provide medically necessary services.

Chiropractic (\$1,255,763) – Alternative treatments would include more expensive treatment options such as physical therapy, osteopathic manipulative treatment, or treatment by orthopedic surgeons.

Health Maintenance Organizations (HMO) optional services (\$746,241) – Ambulance, optometric, podiatry, durable medical equipment, and chiropractic services provided through contracts with HMO's.

Mental Health-Related optional services (\$4,256,128) – Services, such as community mental health centers, psychologists, day treatment or partial hospitalization are designed to reduce or control a person's psychiatric or psychosocial symptoms so as to prevent relapse or hospitalization, which would be more costly.

MediPASS Patient Management (\$233,044) – The coordination and consolidation of care has been instrumental in requiring that enrollees seek care from the private physician office, rather than hospital emergency rooms.

Postage (\$429,050) – Postage expenses associated with mailing Medicaid identification cards to Medicaid eligible persons.

Provider Rates. On the question of rate adjustments, it is difficult to set priorities without good data and careful analysis on how Medicaid's current rates for all services compare to rates paid by other third party insurers for all similar services to a similar population in similar areas of the State. We expect to get such data beginning in SFY 2006. It is likely that such data and analysis will only begin to be useful in SFY 2007. In recognition of current state statutory and regulatory requirements, however, this offer includes funds for:

\$7,048,370 Rebasing nursing home rates.
\$10,425,799 Making the adjustment for practitioner rates to bring them into line with the Medicare RBRVS rates.

Hospital Disproportionate Share (DSH) program. If the State were to distribute to hospitals in SFY 2006 (under the distribution formula in effect in SFY 2005), the 16% increase over SFY 2005 DSH allotment, it would need to spend \$1,975,584 in additional State dollars. This offer includes funds for that purpose.

IMPORTANT: This offer relates to: Offer H_401_07 which would provide Medicaid funding under SFY 2005 eligibility rules for all mandatory services, and the costs of program administration/management, to Offer H_401_13 relating to Part D Medicare, and to Offer C_401_34; H_401_34 which would create a universal assessment tool – a key part of our strategy to rebalance the State's long term care system away from institutional and towards home and community based care.

OFFER JUSTIFICATION

The offer is appropriate and should be accepted because it will:

- ❑ Provide low-income adults, including parents, the disabled, the elderly and pregnant women with timely access to appropriate quality medical care.
- ❑ **Medicaid is a critical part of the State's economy.** It will bring in more than \$1.5 billion dollars in SFY 2006 to Iowa from the federal government. (To assess the full impact of these dollars on jobs and income and state tax revenues, one should also take into account the "multiplier" effect of these federal dollars). Also there are numerous Iowa communities where Medicaid is the largest third party payor for medical service providers who are key players in the local economy.
- ❑ Establish the administrative infrastructure necessary to support a performance based, evidence driven system of quality acute, preventive and long-term care services.
- ❑ Help shift the balance from institutional long-term care to community based long term care and from long term care generally to healthy aging by building a more informed membership.

PERFORMANCE MEASUREMENT AND TARGET

- Percentage of state long-term care resources devoted to home and community-based care. Target = 2.5% over SFY 2005.
- Percentage of Medicaid families who are aware of and know how to access preventive health care services. Target = 15% increase over SFY 2005.
- Pharmacy costs per member per month. Target = 5% increase over SFY 2005.
- Percentage of children and parents (other than those with special health care needs) with regular access to managed care (either PCCM or capitated). Target = 95%.
- Timely implementation of Iowa Medicaid Enterprise (IME). Target = Full federal system certification by March 2006.

PRICE AND REVENUE SOURCE

Total Price: \$738,563,415

Expense Description	Amount of Expense	FTEs
Medical Assistance	\$738,563,415	
Total	\$738,563,415	

Revenue Description	Amount
State General Funds	\$168,310,944
Federal Matching Funds	\$433,919,964
Other Funds (Includes Drug Rebates, and County Share)	\$136,332,507
Total	\$738,563,415